
By The Commission:

On January 16, 2007, pursuant to the Settlement Stipulation ("Stipulation") approved October 5, 2006, in Docket No. 05-057-T01, the Commission approved a three-year pilot program to implement DSM programs. On July 25, 2007, pursuant to the Commission's January 16, 2007, Order issued in Docket No. 05-057-T01, the Division of Public Utilities ("Division") filed a proposed evaluation plan of Questar Gas Company's ("Questar") Demand Side Management ("DSM") pilot program. On August 10, 2007, the Commission gave notice that it would accept comments, on or before August 24, 2007, regarding the adequacy of the Division's proposed plan. On August 23, 2007, the Committee of Consumer Services ("Committee") filed comments, and on August 24, 2007, Questar and Utah Clean Energy ("UCE") filed comments. On August 27, 2007, the Commission allowed for responses to the filed comments by September 12, 2007. In that same Order the Commission opened Docket No. 07-057-05 to examine the proposed evaluation plan. The Division, Committee, and Questar thereafter filed reply comments.

Description of the Proposed Evaluation Plan

The Division's plan proposes two phases of evaluation. The first phase is primarily directed toward examining the process of how the programs are administered, and the second phase is a full evaluation, both process and impact, of the DSM pilot program. The proposed plan requires the Company to hire independent consultants to design and implement the evaluations. The Division proposes two Requests for Proposals (RFP) be issued, one by August 31, 2007, for the initial process evaluation and one by December 31, 2007, for the ongoing evaluation. Final Reports for the initial and ongoing evaluations are expected by April 2008, and June 30, 2010, respectively.

Positions of the Parties

The Division and Questar jointly developed the proposed plan, along with input from the Committee and the DSM advisory group, and recommend it be approved by the Commission as written.

The Committee is generally supportive of the overall goals of the proposed plan, but suggests three adjustments:

- 1) First year program estimates should be compared to actual participation levels and savings in order to evaluate whether the DSM programs are "ramping up" in the fashion originally envisioned.
- 2) The relative emphasis in the Evaluation Plan should be addressed by the consultants retained as independent, third-party evaluators. In its RFP, the Division should require bidders to describe in detail the methods and procedures they propose for DSM program evaluation.
- 3) The Division should work with the Committee and other interested parties associated with the DSM Advisory Group in the preparation of the RFP that will be issued to retain third-party evaluators."

UCE requests the first phase include a comparison of Questar's programs, administration costs and procedures and customer participation rates to that of other natural gas utilities' first-year DSM efforts. Additionally, UCE suggests the evaluations, "quantify what, if any, market transformation may be taking place as a result of QGC's aggressive public education and marketing campaign, its support of the state's building codes, as well as its partnership with market actors."

Both Questar and the Division respond to the Committee's comments, but neither address UCE's comments. Questar and the Division point out that the Committee's first point has been, and will be, addressed in the quarterly reports filed by the Company with the Division. The Division and Questar also note the RFP(s) will be issued by Questar, not the Division, and that the Company has committed to work with the DSM Advisory Group on proposed modifications to the DSM programs and in the design of the evaluations contemplated by the RFP. The Division and Questar both agree that the expertise of the independent consultant will be drawn upon as the actual evaluation process is undertaken.

Discussion and Conclusions

With respect to the Committee's recommendation that the evaluation compare estimated participation rates with actual results, we find that the program quarterly reports already contain the relevant information. These reports, which are provided to both the DSM Advisory Group and the Commission, provide the actual number of participants for each of the different types of rebates offered. In all future Quarterly Reports concerning the Questar DSM pilot program we direct the Division to analyze and report whether the observed participation

rates are consistent with the corresponding participation assumptions, and whether the observed rates of participation (ramping up) are consistent with the successful operation of the programs.

We concur with the Committee's second and third recommendations regarding the RFP for the third-party evaluation consultants. However, given the late start of DSM program implementation, we modify the plan to include one RFP, rather than two RFPs, for the third party evaluation encompassing both components of the evaluation plan. Due to the timing and implementation of the programs the need for two separate analyses has become moot. We believe it will be more efficient and cost effective to secure one consultant to develop (jointly with Questar, the Division, the Committee, and the DSM Advisory Group) evaluation methods, procedures, and results. We further direct that the additional task of reviewing what DSM program data are currently being captured and retained, be added to the RFP to ensure that the necessary data will be available to the consultant in order to conduct the final evaluation. We direct Questar, working in concert with the Division, the Committee and the DSM Advisory Group, to develop an RFP for a single comprehensive evaluation effort, which will be scheduled such that the results will be available during the final regulatory review of the Questar DSM pilot program. The respondents to the RFP must address how they propose to produce statistically significant results for the Commission's ultimate public interest decision regarding continuation of Questar's DSM programs, given the potential data limitations.

UCE suggests two changes to the evaluation plan, namely that Questar's experience be compared to other utilities' start-up efforts with respect to natural gas DSM efforts, and that the effectiveness of Questar's market transformation efforts be explicitly evaluated. We find that the information requested is important, and direct that the RFP shall

include a requirement that the respondents explain the information required and the procedures available to address these two areas as part of the DSM evaluation process, and provide a bid to implement their suggestions.

The Division's ongoing evaluation proposal is generally acceptable. We note that the Division's proposed evaluation plan uses data collected through March of 2010. We concur that the pilot shall end at that time. Given our Order to modify the plan by adding a comparison to other utilities, an evaluation of market transformation, and issuing one RFP rather than two RFPs, these adjustments will need to be incorporated for the ongoing evaluation to be consistent with these changes. We direct Questar to include these changes when preparing the RFP.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. The Division's proposed evaluation plan for Questar Gas Company's DSM programs is approved subject to the changes and modification contained in this Order.

DATED at Salt Lake City, Utah this 20th day of November, 2007.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#55373